

19 Prison Inmate Labor Credit

3507

Attach to your California tax return.

Name(s) as shown on return

Social security or California corporation number

Business address (number and street)

FEIN

City or town

State

ZIP code

- | | | |
|---|---|--|
| 1 Total qualifying wages | 1 | |
| 2 Multiply line 1 by 10% (.10) | 2 | |
| 3 Pass-through prison inmate labor credit(s) from Schedule(s) K-1 (100S, 541, 565 or 568). See instructions | 3 | |
| 4 Total available prison inmate labor credit. Add line 2 and line 3. | 4 | |

Caution: Your credit may be limited. See the instructions for line 4.**Note:** The employer must keep the approved joint venture agreement for audit purposes.

General Information

A Purpose

Use form FTB 3507 to figure and claim a credit for wages paid to prison inmates under an approved joint venture agreement. Also use this form to claim pass-through prison inmate labor credits received from S corporations, estates or trusts, partnerships or limited liability companies (LLCs) taxed as partnerships.

S corporations, estates or trusts, partnerships and LLCs taxed as partnerships should complete form FTB 3507 to figure the amount of credit to pass through to shareholders, beneficiaries, partners or members. Attach this form to Form 100S, Form 541, Form 565 or Form 568. Show the pass-through credit for each shareholder, beneficiary, partner or member on Schedule K-1 (100S, 541, 565 or 568).

alternative minimum tax (corporations, individuals and fiduciaries), the built-in gains tax (S corporations) or the excess net passive income tax (S corporations). This credit cannot reduce regular tax below the tentative minimum tax. See Schedule P (100, 540, 540NR or 541) for more information.

There is no provision for carryover of any unused credit to succeeding tax years and in no event can this credit be carried back and applied against a prior year's tax.

This credit is not refundable.

Corporate Members of a Unitary or Combined Group

This credit may not be allocated or otherwise transferred to another taxpayer, even if the other taxpayer is a member of a unitary or combined group or otherwise affiliated with the taxpayer that earned the credit.

B Qualifications

California allows a credit equal to 10% of the wages paid to each prisoner who is employed under an approved joint venture agreement.

The credit amount is based on wages paid to each qualifying employee during the taxable or income year for the duration of the contract agreement.

The credit applies only to wages paid pursuant to a contract agreement, executed on or before the day the individual begins work for the employer, between the Director of Corrections and the joint venture employer.

C Limitations

S corporations may claim only 1/3 of the credit against the 1.5% entity-level tax (3.5% for financial S corporations). In addition, S corporations may pass through 100% of the credit to their shareholders.

This credit cannot reduce the minimum franchise tax (corporations, limited partnerships, limited liability partnerships, LLCs and S corporations), the

Specific Line Instructions

Line 1 – Enter the total amount of qualifying wages paid or incurred under the provisions of the approved joint venture agreement.

Line 3 – If you received more than one pass-through credit from S corporations, estates or trusts, partnerships or LLCs taxed as partnerships, add them and enter the total on line 3. Attach a schedule showing the names and identification numbers of the entities from which the credit(s) were passed through to you.

Line 4 – The amount of this credit that you can claim on your tax return may be limited further. Refer to the credit instructions in your tax booklet for more information. These instructions also explain how to claim this credit on your tax return. You must use credit code number **162** to claim this credit. Also see General Information C, Limitations.